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The champion swindle

Boston

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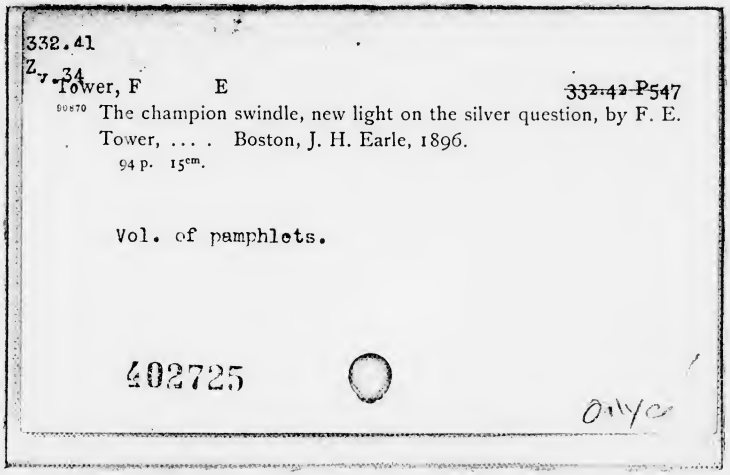
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The Champion

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Swindle

New Light
On The
Silver
Question.

1895

THE CHAMPION SWINDLE

NEW LIGHT

ON THE

SILVER QUESTION

BY

F. E. TOWER, A. M.

Author of "The Advancing Kingdom," "What's the Trouble," etc., etc.

BOSTON:
JAMES H. EARLE, PUBLISHER,
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PREFACE.

A FEW months previous to the presidential election of 1892, the writer set himself to study the financial question. Like most of those around him, his mind was prepossessed in favor of the single gold standard. The various catch phrases made use of as arguments to sustain it, such as "Honest dollar," "Worth 100 cents," "Sound money," "Best money" etc., were familiar to him, and he expected to find them justified by the facts. What was his astonishment to discover that they are all baseless — surface fallacies "cunningly woven to deceive." It was then that he awoke to the fact that the people of this country are being victimized on a gigantic scale, and made the prey of the banded Shylocks of two continents.

It became clear to him then how the house of Rothschild has amassed the enormous sum of $30,000,000,000, according to published estimates; how the whole coterie of money lenders summed up under the term "Lombard St.," or the "London money power," is rated at $75,000,000,000; and how even our government is plunged into a condition of semi-bankruptcy, although we are reputed to be the wealthiest nation on earth. It is mainly because we have allowed our financial system to be dictated by the London

money power and its allies here, and, therefore, that system, instead of being shaped to promote the public good, has been so manipulated as to become one of the most powerful instruments of oppression.

And all this has been accomplished by skillfully deceiving the people. If the voters of America could once be led to examine and master this subject, they would put a speedy and perpetual end to the schemes of the money sharks. That this little book, which is the result of one man's struggle to cast off from his own mind the fetters of ignorance, may contribute in some degree to such a result, is the earnest wish and hope of

THE AUTHOR.

THE CHAMPION SWINDLE.

CHAPTER I

THE CHAMPION SWINDLE.

THE–*English–Rothschild–single–gold–basis–contraction–policy*, the writer believes to be the champion swindle of the ages. He expects to prove it, and to show that England began it in 1816, when she demonetized silver, and brought it to a finish when she entrapped Germany and this country into following her example in 1873.

She knew well the effect. By shutting out silver one-half of the world's money supply was cut off. As population and trade increased, money became scarcer and harder to get. This means that it increased in purchasing power, or rose in value. Thus she saw that the immense debt due her from other nations would be increased in its real total, though nominally the same number of dollars must be paid, because the dollars would be more valuable. Her debtors would be compelled to pay more than they really agreed to pay. In a word, they would be swindled out of the difference between the value of the dollars at the time the contract was made and their increased value after silver had been demonetized and the consequent contraction of the money volume had been effected.

And this was what she meant to do. She deliberately plotted to cheat her debtors out of immense sums. Too well has she succeeded Even the gold party acknowledge that gold has advanced about 40 per cent. Our debt to England is stated by British authorities to be $12,000,000,000. Forty per cent. of this is $4,800,000,000, and this vast sum represents her steal from this country, besides the 40 per cent. increase on the semi-annual interest. And the whole burden falls on the toiling masses and active business men of the country. When we add to this the still vaster sums extorted by the same process from the down-trodden millions of India and other debtor nations, it becomes evident that no such gigantic swindle was ever before planned and executed.

And yet all this is but a small part of the iniquity involved in this great "financial" raid upon the wealth of the producing classes. Public debts are enormous in their total. But the total of private debts is still more enormous. Now, the policy of contraction, which expanded public debts, must of necessity expand all private debts in the same proportion; and, therefore, throughout the world, there has been an unjust alienation of property from the hands of debtors into the hands of creditors which eclipses in magnitude all the records of time. It is in this way chiefly that the total debt of this country has risen to the astounding total of over $30,000,000,000 – fully one-half the real value of the whole United States.

How can this debt be paid? Will it ever be possible

to pay it? How can its crushing burden be somewhat lightened without injury to any legitimate interest? In order to answer these questions, and to have an intelligent comprehension of the great question of finance, it is absolutely necessary to study carefully some fundamental facts and principles; and to this the reader is invited in the chapters which follow.

——:——

CHAPTER II.

WHAT IS MONEY AND HOW MUCH IS NEEDED?

THE first question and one of the most important is, what is money?

The answer to this question need not delay us long. All economists agree that the chief central use of money is to serve as a medium or instrument of exchange. In performing this function it necessarily becomes also the measure of values. With us the unit of measure is the dollar. The value of all commodities is estimated in dollars. And this being once done, and thus the price of commodities being fixed, exchange, by the help of money, becomes perfectly simple and easy. The farmer sells his surplus wheat in the open market, and with the money received buys in the same market whatever he needs. Compare this process with the trouble and expense of carrying around his wheat until he could find just the men who want the wheat and also have to spare the articles which he desires. So slow and cumbersome is this

direct barter that no condition above a barbarous or semi-barbarous state can possibly exist under it. Money is an indispensable condition of civilization, at least in its present stage. It is not money, but the "love of money" (that is avarice) that is declared in Scripture to be "a root (not the root) of all evil."

As an instrument of exchange, money must be put alongside with transportation and the transmission of intelligence, which are the other chief instruments of exchange.

Now it was so easily discernible that it would never do to leave a matter of such vital importance as the prompt, regular and inexpensive transmission of intelligence to private enterprise and control that the postal service was very early taken in charge by the government as being in its very nature a public institution. Is it anything but a singular lack of discernment that the same rule has not yet been applied to transportation and money? At any rate, it is broadly, evident from the mere definition that the monetary system of any country is of vast and vital importance, not to one class or a few classes, but to all classes, and to every individual in it.

Another question of almost equal importance presents itself at this point, and that is, how much money per capita do we need to make our exchanges to the best advantage?

The general answer is, enough to render it possible to do all business on a cash basis. Debt is always to be deplored. If sometimes a necessity, it is still a

necessity to be regretted. "Owe no man anything" is an injunction of Scripture, and the outcome of disobedience thereto is "only evil and that continually." If it were always obeyed there would be no debts, no "failures," no bankruptcies, no panics, no sudden, widespread derangement of business, and but a small part of the baneful speculation which is now so rife. In a word, a very large share of the evils under which society is groaning to-day would be done away if there were no debts. Therefore, a government which compels the existence of debt (or credit, which is only another name for the same thing), by failing or refusing to furnish money enough to permit the doing of business on a cash basis, is guilty either of lamentable folly or of intolerable oppression.

But precisely how many dollars per person are needful to such a result? Experience answers (and only experience can answer such a question) that at least $50 per capita are necessary, and even a higher figure may be advantageous.

England has $22 "with a clamor for more," and is in the throes of a monetary crisis. Holland has $39 and is much more prosperous. France has $55 and her prosperity is the wonder of Europe, being "such that her wealth equals now that of the United Kingdom, besides being better distributed," — and that, too, only a couple of decades after the terrible drain of a gigantic and disastrous war. These facts and quotations are taken from an article of J. F. de Navarro in the *Forum* for April, 1893. And they have volumes

of meaning for him who will take the trouble to reflect upon them, especially when we remember (to anticipate a little) that it is certain that we have not over $24.44, and much less than that available for actual use.

Let the reader at this point do some earnest thinking of his own and ask himself if the stringency of the money market is after all so great a mystery.

CHAPTER III.

ARE WE IN DANGER OF HAVING TOO MUCH GOLD AND SILVER MONEY?

WE have seen that money is a medium of exchange, and that at least $50 per capita is needed to do the business of a country easily on a cash basis. We now come to the important question of supply. Is there an abundance of the precious metals for the money uses of the world, and such an abundance that we can afford to dispense partially or altogether with either of them? On the contrary, the simple mathematical fact is, that if all the gold and silver that is above the surface of the earth to-day were coined into money, it would be less than one-third part of the needed amount. And when we allow for waste, and for that fraction which is used in the arts, and confine our calculations to the available supply, we shall find that it is barely one-sixth part of the requisite sum.

The subject being vital, we proceed to the figures. The world's population is fifteen hundred millions.

Allow three hundred millions for the barbarous and semi-barbarous tribes, which use but little money, and we have left twelve hundred millions who need to be supplied with money at the rate of $50 per capita, making sixty billions as the amount required.

But according to the tables given in works on finance, including the mint reports, it appears that the total amount of gold and silver in existence at the beginning of the year 1892 was a little over fifteen billions; of which over five billions is in use in the arts, as jewelry, plate, foil (used in dentistry, and in other ways), etc., making no separate account of the amount lost, which is indeterminable, leaving barely ten billions in coin, and bullion available for coining.

Let the reader reflect long and earnestly upon these figures and then ask himself if this country, or any other, is really in danger of being "flooded with silver"?

On the contrary, the supply of coin is so scanty that in all civilized countries it has to be eked out with paper money of double or triple volume, the coin being held as a "base," to be exchanged for the paper on demand. But a structure whose base is but half or one-third as large as the superstructure is very insecure; and when special causes lead to the rapid diminution of this money "base" because a larger number of the people than usual begin to demand coin for their paper, the rest of the people are apt to get nervous lest the whole "base" should disappear and they "get left"; and hence the panics that prostrate

business and inflict such ruinous losses upon millions of innocent people.

If there were gold and silver enough to put a coin dollar behind every paper dollar, every consideration of safety and of honesty would demand that it should be done.

How much stronger, then, is the demand, on the same ground of honor and safety, that the money base should be made as broad as it possibly can be, since at best it must be dangerously small? And what shall be said of the wisdom of those who clamor for the demonetization of one of the precious metals, and, thereby, for the destruction of a moiety of the already slender base of our top-heavy financial system?

But have we in this country at present, with all the helps of our redeemable paper, the required minimum of $50 per capita?

The mint report of 1892 shows that if all the money in the country were in actual circulation we would have $24 per capita — less than half enough.

But the national banks are required by law to hold reserves equal to 25 per cent. of their deposits. This strikes out at once about a third part of the total. The amounts held by the savings banks, state banks and private banks, together with the sums hoarded by individuals all over the land, can not be less than another third. On these grounds the most careful observers place the amount of available circulation at about $5 per capita. This was the result arrived at by Mr. Dunning in his article published in the *Forum*

near the beginning of the year 1892. Another independent investigator, quoted in the Hartford *Examiner*, puts it at $4.97. A. R. Chisholm and Co., well-known bankers, Broadway, N. Y., say, in a recent circular: "Deducting amounts in United States treasury and banks, held as reserves, and losses in paper money and coin, gold exports and hoardings, this country is down to an actual famine circulation of less than $6 per capita." Again, let the reader ask himself if there is really any great mystery about the recent stringency in the money market, and the general stagnation of business? If there were the like famine in the other means of exchange — if, for example, there were only one-fifth enough cars to move the freight waiting for transportation — would anybody be in doubt as to the cause of the stagnation of business?

And when we remember that at the close of the war we had over $50 per capita of actual circulation, and business was done on a cash basis, almost entirely, and was phenomenally prosperous, what will the reader say of the wisdom of a government that has allowed that circulation to be reduced to a "famine" figure? And what of the discernment of those wiseacres who think to cure the difficulty by a still further reduction of the circulation? A result that must necessarily follow from the repeal of the Sherman act. If this is not financial quackery, what would be?

These questions will gain added force when we come to consider, in succeeding chapters, the baneful effects of this enormous contraction of our currency.

CHAPTER IV.

THE MONEY SUPPLY.

THE last chapter closed with the statement that the repeal of the Sherman bill, by stopping further coinage of silver, must cause a further contraction of the currency.

Quite likely some reader said mentally: "Would there not be just as much money after repeal as before?"

Possibly; but the population is rapidly increasing, and if the volume of money is not increased in the same ratio, the amount per capita grows steadily less, and this is precisely what is meant by contraction.

If a city, under siege, is provisioned for six months, and its population is doubled by receiving within its walls the people of another city, famine will come in three months, unless the provisions are increased, and that just as certainly as if half of the provisions were destroyed, without any increase of population. And so a money famine may be produced by failing to add to the supply to keep pace with the population, as surely as by an actual withdrawal of large amounts from the circulation at any given time.

Resuming now the estimate that the money-using population of the world is twelve hundred millions, and supposing the yearly increase to be only 1 per cent., we have twelve millions to be supplied with money every year, requiring, at $50 per capita, the sum of $600,000,000. But the whole product of both gold and silver in 1892, the largest ever known up to that date, was only a little over $263,000,000 — not half the required amount.

But from this total we must deduct one-third for other uses of the precious metals. This reduces the amount available for coin to $176,000,000, less than one-third of the required amount, and certainly not too much to form a safe basis for paper enough to supply the need.

What, then, shall be said of the statesmanship of those capitalists of Europe and America who, blinded by self-interest, and in many cases ignorant of the facts, are bent on striking out at a blow one-half of the future money supply of the world; — one-half; for it is a singular fact that both the totals of the present supply and of the yearly product of gold and silver are almost exactly equal.

The population of the United States has increased on an average very nearly 3 per cent. per year since 1820. In the ten years from 1880 to 1890 the rate was almost exactly 2½ per cent., which must, therefore, be very close to the present rate. We have now 65,000,000. So that the yearly increase is 1,625,000, requiring an addition to our money volume of $81,250,000, or nearly half the world's product of gold and silver available for coinage.

Now, the total product of all the mines of our own country in 1892 was only $83,764,981 (gold $33,014,981, silver $50,750,000), of which $26,276,699 was consumed in the arts; leaving but $67,000,000 for

coinage, or $14,000,000 too little. We can use with advantage all the gold and silver produced at home and $14,000,000 imported from abroad.

But from what foreign sources could this sum be derived? All the nations of Europe are putting forth strenuous efforts to increase their stocks of gold, feeling already the ill effects of the single gold standard. We are not likely to get any of their gold beyond what we can draw to us by a balance of trade in our favor.

And as for silver, it is the money of Mexico, of the South American States, of the vast empires of India and China, besides the large amounts used by every European nation, France alone having $700,000,000. Every one of these countries but France needs a larger money supply; and their silver holds to gold the ratio of 15.5 to 1, while ours is 16 to 1. Is it probable that they will melt up their coin and ship it to Washington to be recoined as United States money at a loss of 3 per cent., besides all the costs of the transaction? And what shall be said of the sagacity of those who would close our mints to silver, give a new impetus to the disastrous policy of contraction, and increase still further the proportion of our undefended paper (of which we have already more than four times as much as any nation in Europe) for fear of a result which is commercially absurd?

Instead of being "flooded with silver," we are much more likely to find it difficult to get enough to raise our depleted currency to the proper mark and keep it

there, and thus have a really "honest dollar." But the "honest dollar" will claim our attention in the next chapter.

CHAPTER V.

OUR "HONEST DOLLAR."

OPPONENTS of bimetalism are fond of asserting that the gold dollar is "an honest dollar" and that as such it is "sound money," and "worth 100 cents;" while they stigmatize the silver dollar as a "fiat" dollar, a "60-cent" dollar, and "not sound money." We can do no less than to accept the challenge and examine this claim.

What, then, is meant by saying that the gold dollar is worth 100 cents? Certainly the reference can not be to the copper coins called cents, for one hundred of these will hardly bring a dime in the copper market. They are merely tokens authorized by the government, and accepted by the people as a matter of convenience. The cent really had in mind is simply a hundredth part of the standard dollar. But the standard dollar is, at present, just this gold dollar itself. Therefore the statement that it is worth 100 cents is simply saying that it is equal to 100 hundredths of itself — or, in other words, that it is equal to itself! A wonderful discovery this! And a marvelously enlightening statement! What dollar ever existed, or ever could exist, not equal to itself?

Any coin of any material whatever, whether gold,

silver or copper, and of any size or weight, being once adopted as the standard dollar, must, ever after, be worth 100 cents, for that is only another way of saying that we have adopted it as the standard monetary unit. It might change its real value twenty times a day; it might vary in its purchasing power continually, from one bushel of wheat in the morning to fifty bushels in the afternoon; and yet all the while it is "worth 100 cents," and no more or less, just because all the while we regard it as the standard, and measure it by itself, and by nothing else.

That good Quaker who said to his wife, "all the world is queer but thee and me, and thee is a little queer," showed pretty plainly that he looked upon himself as the standard man, and therefore regarded every one who differed from him as more or less off center. But his neighbors, not seeing any proof that he must necessarily be regarded as the standard individual, pretty generally refused to accept the depreciated estimate put upon themselves. And, if we accept the ridiculous assumption that the gold dollar must necessarily be regarded as the standard, then, indeed, there is ground for depreciating every other. But the moment we open our eyes to the fact that the silver dollar could just as reasonably be taken as the unit of value, and that this would then be the 100-cent dollar and the gold dollar something else — a 200-cent dollar just now — we begin to see the uselessness of all this kind of argumentation. For to say that the gold dollar, or any other dollar, that is taken as the standard, is worth 100 cents, is only saying that it is worth itself, which everybody knew before!

And yet from this perfectly "flat, stale and unprofitable" statement many persons proceed to draw inferences by which they assume to settle off-hand one of the most important and difficult questions of modern times! Surely, inanity has herein reached its climax.

Not very much better fares it with the statement that the gold dollar is "sound money," while the silver dollar is "fiat money." Let us see what the practical fact really is. Not very much silver, and no gold worth mentioning, is in actual circulation among the people. We prefer paper based on coin. And so we have the silver certificates, and the various notes that are redeemable in gold, the latter amounting to $738,000,000 (according to the mint report of 1892), backed by $238,000,000 of gold coin and bullion in the United States treasury. That is, each dollar of the gold paper had behind it just thirty-two cents in actual metal, while each silver dollar certificate has behind it an actual silver dollar worth sixty cents. Practically, therefore, the gold dollar of use is a 32-cent dollar, while the silver dollar of use is a 60-cent dollar. Which looks the most like "sound money"?

But it is said that the credit of the government, being undoubted, causes the gold paper to be accepted by all, and makes it "as good as gold."

And so does the credit of the government cause the silver certificates to be accepted by all and makes them

also "as good as gold," as they are at this moment in every State of the Union. No distinction is made between them in any business transaction. It would be irrational to make any distinction. If the credit of the government is good enough to float a 32-cent dollar, it is certainly good enough to float a 60-cent dollar.

And as the credit part of each dollar is the "fiat" part, it appears that the silver certificate is 40 per cent. "fiat," while the gold paper is 68 per cent. "fiat," or nearly twice as much "fiat" as the silver. Which of the two, then, most deserves to be called a "fiat dollar"?

Test the matter in another way. Suppose an exigency should arise when the people generally should desire to exchange their paper for coin. Where could they get gold? Not from the banks — recent events are an object lesson on that point. And as to the government, the only place where it promises to redeem paper is at the sub-treasury in New York, and there only in sums of $50 or more. And it has only $238,000,000 of gold all told. Who would get it? Why, the New York bankers and capitalists would draw it all out for themselves and their friends, before the rest of the people could get to the railroad station, and when they arrived in New York there would not be a dollar left to redeem the odd $500,000,000 of paper. Whereas, on the other hand, the silver dollars would hold out just as long as the certificates, and every possessor of them would be sure of his money.

Such is the wonderful gold paper dollar. For the people at large it is pure "fiat," credit, "confidence," undefended paper, on which the holder could no more get gold, in time of a general demand for the coin, than if gold did not exist.

On the theory that money must be convertible into gold at will, the claim that the paper promises, to pay gold, which pass as money among us, are superior to the silver certificates, is indeed "sound" and nothing else, empty breath, "vox et preterea nihil."

This is a slippery subject, and must claim our attention in the next chapter.

——:——

CHAPTER VI.

OUR 'HONEST DOLLAR" — CONCLUDED.

THE practical question to which we have come is this: Is the gold dollar, now regarded as standard, really an honest dollar?

What, then, is an honest dollar?

The dollar is an instrument of trade, a medium of exchange. It has no place in any other department of life. But a man is rated honest in trade if he never cheats any one. So then an honest dollar is one that never cheats anybody.

But it is evident that if a dollar is continually changing its value, or purchasing power, it must cheat some one. If it grows less valuable, so that the dollar which to-day buys a bushel of wheat will buy to-morrow only a half bushel, then the man who lends a dollar

to-day will to-morrow be paid with a dollar depreciated just fifty per cent., and be cheated of half his dues. A depreciating dollar, therefore, cheats all creditors.

On the other hand, if it grows more valuable, so that the dollar which buys a bushel of wheat to-day will buy two bushels to-morrow, then the man who borrows a dollar to-day (or gets trusted for that amount) will have to pay to-morrow with a dollar just twice as valuable, and so pay his dues twice over, and be cheated the exact amount of his debt. An appreciating dollar cheats all debtors.

But the dollar whose value is always the same, whose purchasing power neither increases nor diminishes, cheats no one, and is an honest dollar.

What, now, are the facts respecting the gold dollar? Has it always remained stable in value? On the contrary, it has kept bobbing up and down like a kite in the wind.

Prof. Jevons tells us that "between 1789 and 1809 it fell 46 per cent., from 1809 to 1849 it rose again by 145 per cent., rendering government annuities and all fixed payments extending over this period almost 2¼ times as valuable as they were in 1809. From 1849 to 1872 he shows that it fell in value at least 20 per cent., and David A. Wells assures us that since 1873 it has increased steadily in value by about 2 per cent. a year, "by so much impoverishing all debtors and enriching all creditors." A remarkably honest dollar, this, that is all the time busy cheating some class!

But what causes this change in the value of money?

All economists agree that it arises, mainly, from fluctuations in the amount of currency in actual circulation.

If the amount of currency per capita is increased, money falls in value; or what amounts to the same thing, prices rise. But if the amount of currency per capita is diminished, money rises; or, as we usually state the case, prices fall.

So rigid is this law that economists hold that if half the money of a country were destroyed at once, all prices would fall one-half; that is, every dollar that remained would be worth twice as much as it was before.

And the man who owned a $10,000 farm with a $5,000 mortgage on it would suddenly find the money value of his estate reduced to the figure of the unchanged mortgage, and it would pass out of his hands by foreclosure. Thus by the sheer increase in the value of the dollars in which he must pay his debt, his entire interest, $5,000 at the start, or $2,500 in the appreciated currency, is swept out of his hands into the coffers of the Shylock who loaned him the money.

Yet this is the process that has been going on in this country for the past quarter century on a gigantic scale. By various expedients, and finally by the demonetizing of silver, the moneyed classes have so increased the value of their holdings, at the expense of the rest of the people, that the inequalities of wealth have become greater in this country than in any other country on the globe. There have been several other potent causes contributing to this ominous result; but the most potent, widespread, and far-reaching of all,

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But what causes this change in the value of money?

All economists agree that it arises, mainly, from fluctuations in the amount of currency in actual circulation.

If the amount of currency per capita is increased, money falls in value; or what amounts to the same thing, prices rise. But if the amount of currency per capita is diminished, money rises; or, as we usually state the case, prices fall.

So rigid is this law that economists hold that if half the money of a country were destroyed at once, all prices would fall one-half; that is, every dollar that remained would be worth twice as much as it was before.

And the man who owned a $10,000 farm with a $5,000 mortgage on it would suddenly find the money value of his estate reduced to the figure of the unchanged mortgage, and it would pass out of his hands by foreclosure. Thus by the sheer increase in the value of the dollars in which he must pay his debt, his entire interest, $5,000 at the start, or $2,500 in the appreciated currency, is swept out of his hands into the coffers of the Shylock who loaned him the money.

Yet this is the process that has been going on in this country for the past quarter century on a gigantic scale. By various expedients, and finally by the demonetizing of silver, the moneyed classes have so increased the value of their holdings, at the expense of the rest of the people, that the inequalities of wealth have become greater in this country than in any other country on the globe. There have been several other potent causes contributing to this ominous result; but the most potent, widespread, and far-reaching of all,

in its effects, has undoubtedly been the rapid appreciation of the dollar through the enormous contraction of the currency from $50 to barely $5 per capita.

President Andrews, of Brown University, has recently shown that when we had paid one and one-half billions of our national debt, the remainder was worth more by one-third of that sum, than the whole was at the start, and all this through the rise in the value of money. By the contraction of the currency the nation was cheated out of two billions of dollars on its bonds, and the process is still going on. This is one of the exploits of our "honest dollar."

Another one equally notable emerges when we reflect that the bonds issued by the various states, counties, cities, towns and boroughs of the country during the last twenty-five years have all been expanded in the same way.

Their aggregate can hardly be less than that of the national bonds. But call it one-half as great, which is far within bounds. And here we have a second steal of at least a billion of dollars effected by the agency of the "honest dollar."

Private debts, including mortgages on real estate, are a still vaster sum, probably greater in the aggregate than both the former put together. And so here is a third theft of three or four billions to be credited to the "honest dollar."

And when we try to estimate the losses inflicted on merchants and manufacturers and all business men, in the decline in the prices of their wares and merchandise, we are staggered by the figures that rise up before us, indicating a vaster sum than any yet named.

On the whole, it is probably a moderate estimate to say that the total amount that has been wrenched from the hands of the toilers and put into the coffers of the millionaires, in the last twenty-five years, by the rise in the value of the "standard" gold dollar, is not less than $10,000,000,000! Is it not a delicious bit of irony to call such an agent "an honest dollar"? It is the champion thief of the ages.

Shall this process continue, or shall it be arrested by calling in the aid of silver to increase the circulation, or at least prevent a further contraction?

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CHAPTER VII.

OPINIONS WORTH KNOWING.

We have reached the central point in the present discussion — the boundless evils of contraction; that is, of a currency that is constantly growing less in proportion to the population. And before going further the reader may like to know what real statesmen and men well versed in monetary science, have thought and said on this great subject.

At the monetary conference held at Paris in 1878, Mr. Goschen, the English delegate, said:

"I have spoken against the theory of those economists who argue that the gold standard shonld be everywhere introduced; I have stated that I saw in it great

inconvenience, great danger, and even great disaster. To that opinion I decidedly adhere. I believe it would be a misfortune to the world if a propaganda for a sole gold standard should succeed."

The report of that conference, signed by Reuben E. Fenton, William S. Groesbeck, Francis A. Walker, S. Dana Horton and others, said:

"We conceive that it would be both a political wrong and an economic injury of the gravest character to adopt a monetary policy which should increase the pressure of debts by diminishing the amount of the precious metals in which they may be paid. With the enormous public debts of Europe and America, amounting to not less than $20,000,000,000, contracted at a time when silver formed an important part of the monetary circulation, the project to reduce that metal to the rank of token money, allowing it to remain in Europe and America only as the small money of retail trade, and banishing the residue of accumulated stock to India and the East, is one which might well cause the liveliest apprehensions of public disaster."

In 1885 over one hundred of the members of Congress, among whom were some of the most profound students of financial questions which this country affords, united in a printed address containing the following paragraphs:

"In one thing all agree, and that is in the importance to the whole country, and especially to the laboring classes, now struggling with want, of a revival of business and a return of prosperity. The one

condition essential to this step is to stop the contraction of the currency. No country ever did thrive and no country ever can thrive while its money is undergoing contraction. Business can not be secure when its foundation is constantly giving way. Stability in the volume of money is the one essential requisite to safe and prosperous business. But what is the monetary condition of the world to-day? Are we not brought face to face with the startling fact that the gold production of the world has fallen below its consumption in the arts, and that there is no probability of any new gold for money supply for the centuries to come? With this condition as to gold, shut off silver, as is now proposed, and where is the money supply, even for keeping up the stock of coin now in the hands of the world, to come from? In the last three years, according to the London *Economist*, prices have fallen more than 20 per cent.; that is, money has appreciated in that ratio. In the quarter of a century following the gold discoveries of California and Australia, the stock of the precious metals in use as money was increased by nearly 40 per cent. The trade and commerce of Great Britain and the United States during the same period increased more than fourfold, and wealth proportionally. Reverse these conditions, shut off all money supply, and what room for hope is there for mankind except for those whose incomes are sure? With the appreciation of money all debts appreciate. When it is remembered that such debts run into the tens of billions — more than

the entire wealth of the United States — the vast consequences of the appreciation of money are seen. The control of feudal lords over the earth in the Middle Ages was insignificant compared with the control of modern creditor kings and lords who, through legislation, can secure an increase in the value of money."

Senator Chandler is quoted as saying:

"A panic, a depression of values and a ruin of business men and debtors, unparalleled in the nation's history, will follow from even an attempt made seriously and by any considerable power and influence to force gold monometalism upon the government of the United States."

Mr. Blaine, in his great speech in the Senate in 1887, used these words:

"I believe the struggle now going on in this country and other countries, for a single gold standard, would, if successful, produce disaster in the end throughout the commercial world. The destruction of silver as money and the establishment of gold as the sole unit of value, must have a ruinous effect on all forms of property except those investments which yield a fixed return in money. These would be enormously enhanced in value, and would gain a disproportionate, and therefore unfair advantage over every other species of property. If, as the most reliable statistics affirm, there are nearly $7,000,000 000, of coin or bullion in the world, not very unequally divided between gold and silver, it is impossible to strike silver out of

existence as money without results which will prove distressing to millions, and utterly disastrous to tens of thousands."

Could the state of things in this country to-day be better described than in this closing paragraph? Millions are in bitter distress through being out of employment, and tens of thousands are either ruined or upon the verge of failure. It required no gift of prophecy on the part of these men to foresee these results, which have arisen from a virtual demonetizing of silver by the Sherman act, as interpreted and administered even before its repeal. Just such results were foreseen and planned for by those who secured the passage of the coinage act of 1873, by which silver was first demonetized in this country.

It is well known that England is the leader of the whole movement against silver. She is a creditor nation; that is, her wealthy classes hold enormous amounts of bonds of other nations — government bonds, railroad bonds, mortages and land rentals, and thus there is due her, semi-annually, a vast sum in fixed interest charges; of course, the more valuable the dollars in which this interest is paid, the greater the tribute we are compelled to render her; and already she has forced it up to nearly double the original figure, although she has been compelled to grind the faces of her own poor at the same time, until one-tenth of her people are paupers, and four or five other tenths are but little better.

While the monetary conference was in session at

Brussels, the farmers of England held a convention and petitioned Parliament to instruct the English delegates to favor bimetalism, and Archbishop Walsh, in behalf of suffering Ireland, did the same, declaring that the gold sovereign had so advanced in value in the last two decades that the rentals (remaining nominally the same) could no longer be paid by the impoverished tenantry.

Gladstone argued against the project, saying that it would be virtually giving other nations $500,000,000, thus indicating his estimate of the amount of the plunder.

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CHAPTER VIII.

CONTRACTION AND HARD TIMES.

EVERYONE knows that when money is scarce it is high, just as any other commodity becomes high when there is not an adequate supply.

When money is scarce prices fall, because money is hard to get. It takes more of any kind of property to command, "fetch," or buy, a given number of dollars. This is the effect of contraction.

But who profits from such a state of things? Not the poor debtor, for his debt is expanded just in proportion as the currency is contracted, and he is robbed and ruined.

Not the Western farmer, with a mortgage on his estate, for the mortgage is so inflated as to eat up the margin and he is ejected from his home by foreclosure and driven further into the sage brush.

Not the enterprising business man who is operating partially on credit, for he suddenly finds it twice as hard to get money to meet his maturing obligations, and wakes up some fatal morning to find himself one of a myriad of wretched bankrupts.

Not the Eastern agriculturist or the Southern raiser of cotton, for the fall in the price of his products is such that after paying the undiminished taxes, freight charges and commission fees, there is not left enough to pay the legitimate cost of production, and he finds his hard toil bringing him much less than the ordinary pay of a day laborer.

Not the merchant, for the rapid decline in the price of his goods consumes the profit, and he finds himself working for nothing.

Not the manufacturer, for the stagnation of trade diminishes his orders and for fear of bankruptcy he has to shut down.

Not the laborer, for he is turned out of the closed factory and shop and compelled to consume his scanty savings, and find, when the shop is reopened, that his wages have been cut down.

Not the banks, so far as their legitimate business is concerned, for their deposits are withdrawn, and the risk of loans becomes so great that much of their remaining capital lies idle in their vaults.

The whole mass of the people suffer, except those who happen to have fixed salaries, like government officials, and a few very wealthy men whose holdings consist of money, or of bonds and mortgages which

call for money, and who live on the fruit of other men's toil. These last are enormously enriched, and thus another step is taken in the process of transferring the property of the country from the hands of the many into the possession of the few.

Well may the people dread "hard times." The injury wrought at such periods is incalculable. The whole nation is weakened and degraded, and the process of riveting fetters on the limbs of the toilers goes merrily on.

At the close of the Civil War, business was done mainly on a cash basis, everybody had plenty of work at generous wages, and the whole nation was phenomenally prosperous, as France is to-day with just about the same amount of currency per capita that we had then, and failures were almost unknown.

What has brought us to the present deplorable condition, with cities filled with starving families, with millions of able-bodied men seeking work, and unable to find it, wasting time to the amount of billions, with failures mounting up to the tens of thousands per year, and a withering blight on every productive enterprise in the land? There is but one general, enduring, and chiefly powerful cause, and that is an enormous contraction of the currency from $50 to $5 or $6 per capita of actual circulation—an eightfold diminution in 27 years;—enough to have brought absolute stagnation to trade, but for the limitless expansion of bank credits taking the place of money, but in such an unsound and unreliable form as to expose us every hour

to panic and collapse, such as has, in fact, recently come upon us.

Precisely the same disastrous result of the same baleful cause, the historian Allison tells us came upon England in the early part of the century. During the war with Napoleon, he tells us, an abundant currency was furnished to the people, resulting in such activity of production, and such consequent courage and strength, that the burden of a tremendous war was successfully borne. But when, in 1816, the terrible blunder of contraction began, that degradation of the masses was inaugurated which has resulted in making one-tenth of her people paupers, with several other tenths but very little better.

The fall of the Roman Empire from civilization to the semi-barbarism of the dark ages is one of the wonders of history. The monetary commission appointed by our Congress in 1877 reported that the cause was now known to be, not the presence of the Northern immigrants, but the irreparable loss of their medium of exchange, which had shrunk from $1,800,000,000 (of gold and silver) to less than $200,000,000.

This is not a subject that admits of doubt. All political economists are agreed upon it.

Alexander Hamilton advocated bimetalism because of "the benefits of a full circulation and the evils of a scanty circulation."

Thomas Jefferson wrote to him (in 1792):

"I agree with you that the unit must stand on both metals."

William H. Crawford, Secretary of the Treasury, wrote to Congress in 1820:

"All intelligent writers on currency agree that when it is decreasing in amount poverty and misery must prevail."

David Hume says:

"A nation whose money decreases is actually at that time weaker and more miserable than another nation which possesses no more money, but is on the increasing hand."

Secretary Carlisle, before he became the attaché of a gold standard administration, said:

"I know that the world's stock of precious metals is none too large, and is not likely to become so. Mankind will be fortunate indeed if the annual production of gold and silver coin shall keep pace with the annual increase of population, commerce and industry. According to my views on the subject, the conspiracy which seems to have been formed here and in Europe to destroy by legislation and otherwise from three-sevenths to one-half of the metallic money of the world is the most gigantic crime of this or any other age. The consummation of such a scheme would ultimately entail more misery upon the human race than all the wars, pestilences and famines that ever occurred in the history of the world."

And Senator Voorhees, who is now, at the beck of the President, leading the forces of monometalism at Washington, once said:

"Those who, eighteen years ago, wrought under

cover for the destruction of one-half of the honest debt-paying money of the American people are as well known as if a calcium light had been turned on them, and are as universally distrusted by the plain laboring and productive masses as if they had been caught in the commission of crime."

Let the reflective reader keep these utterances in mind as he watches the later stages of a modern "thirty years' war" in the United States Congress.

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CHAPTER IX.

EXPANSION AND GOOD TIMES.

If the evils of contraction are great, the benefits of a wise expansion, after contraction, are equally great. The moment it is felt that money is becoming plentier, prices begin to advance. The merchants and retailers of all classes immediately buy more heavily, foreseeing the profit that will accrue. The wholesalers, to meet the demand, place larger orders with the manufacturers. To meet these orders the manufacturers are obliged to hire more hands. The unemployed thus find work and begin to buy freely to replenish their depleted larder and wardrobe, and another impetus is given to trade. It is soon whispered abroad that "good times" have come, and that men are making money in all branches of business. And at once men of ability and enterprise all over the country seek to go into business. And if they have no means of their own

they find capitalists ready to accommodate them with loans, having confidence in the future. This new business makes a new demand for labor; wages begin to rise; consumption increases rapidly, giving another impetus to trade. And soon all the capital and labor power of the nation are brought into requisition, and production is greatly increased.

The great industrial machine (so to speak) is set working at its full capacity, instead of on half-time, and there is a vast addition to the sum-total of wealth. And, what is still more significant, this wealth is better distributed. In "good times," while prices are rising, failures are few. This means that nearly all who go into business succeed in maintaining themselves in spite of the pressure of competition, and the accumulation of business and capital in a few hands is checked.

Even the money-lender finds to his surprise that he gets a higher rate of interest than before, because capital can now be used with certainty of a profit and is therefore in greater demand, and the short-sighted selfishness which led him to favor contraction, to make his money more valuable, is convincingly rebuked.

The whole nation and all classes in it share in the general benefit, except a few who live on fixed incomes, and even these find so many compensations, in seeing the prosperity of their friends, in the higher interest which they get on their savings, in the opportunities that are offered for them to go into business for themselves, etc., that they are not apt to complain.

No one ever knew "good times" to produce any considerable want or suffering to any class, while the amount which they remedy or remove is incalculable.

It is difficult to describe, in any brief space, the vast and varied benefits which a needed addition to its money volume brings to a nation. It is like a stiff breeze to a fleet becalmed. It is like fresh fuel upon the dying fires of a powerful engine. Or, better still, it is like a copious rain upon a continent desolated by drouth, watering the parched fields, and changing the barrenness into verdure and bloom.

All the facts of history conspire to support this view.

The misery and degradation which fell upon the Roman empire in consequence of the loss of eight-ninths of its gold and silver money has already been referred to. What was it that broke in upon the night of the Dark Ages, and brought the dawn of a new era? It was the rapid increase of the money volume which followed on the discovery of America. That great event did not save Europe so much by furnishing a new field of enterprise as by pouring into her channels of trade a vast treasure of gold and silver money from the mines of Mexico and Peru.

The monetary commission of 1877-8, after describing the ruin consequent on Europe's loss of its gold and silver, adds:

"It is a suggestive coincidence that the first glimmer of light only came with the invention of bills of exchange and paper substitutes, through which the scanty stock of the precious metals was increased in

efficiency. But nothing less than the energizing influence of Potosi and all the argosies of treasure from the New World were needed to arouse the Old World from its comatose sleep, to quicken the torpid limbs of industry and to plume the leaden wings of commerce. ' It needed the heroic treatment of rising prices to enable society to reunite its shattered links, to shake off the shackles of feudalism, to relight and uplift the almost extinguished torch of civilization. That the disasters of the Dark Ages were caused by decreasing money and falling prices, and that the recovery therefrom and the comparative prosperity which followed the discovery of America were due to an increasing supply of the precious metals and rising prices, will not seem surprising or unreasonable when the noble functions of money are considered. Money is the great instrument of association, the very fiber of social organism, the vitalizing force of industry, the protoplasm of civilization, and as essential to its existence as oxygen is to animal life. Without money civilization could not have had a beginning; with a diminishing supply it must languish, and unless relieved, finally perish."

These statements are fully borne out by subsequent facts.

From 1809 to 1849 money decreased in Europe and America, gold rose 145 per cent. and the times were "hard." Then came the discovery of gold in California, and the subsequent rapid addition to the money volume, and such was the stimulating effect upon all

branches of trade that students of that period declare that the increase was fourfold. And the twenty-five years that followed, during which gold fell 20 per cent., were years of great prosperity.

Then came the crusade against silver, followed by another period of contraction, during which gold has risen again about 40 per cent., and we find ourselves in a wretched state of financial disorder and industrial stagnation. Demagogues and financial quacks talk about the Sherman law, and the tariff scare. But George Gould, recently home from England, told us that the condition there was as bad as here; was that also due to the Sherman law and the tariff scare?

The historian Allison, speaking of the period when the English government came to the rescue of its embarrassed business men with an ample issue of paper money, says:

"The next eighteen years—from 1797 to 1815—were, as all the world knows, the most glorious, and taken as a whole, the most prosperous which Great Britain had ever known. * * * Agriculture, commerce and manufacture at home had increased in an unparalleled ratio. * * * Our exports, imports and tonnage had more than doubled."

These words, with little change, might be used to describe the experience of our own country, during the greenback period, when we had $50 per capita of actual circulation, as against $5 or $6 now, and there were no idle millions thronging our cities and villages, and the nation prospered despite the burdens of a gigantic war.

The facts show that when gold goes up, prosperity goes down. And when gold goes down (through a reasonable expansion) prosperity goes up.

In view of these facts, what shall be said of the professed regard for the laborer put forward by those who, in the interest of gold monometalism, are warring upon silver, and resisting any adequate replenishment of our depleted currency? Surely this is irony raised to the nth power.

CHAPTER X.

INFLATION AND COLLAPSE.

INFLATION is a term that is often used, but not always correctly. The mere expansion of the money volume does not constitute inflation.

No increase of gold and silver money is inflation. It has already been seen that the entire supply of the precious metal falls very far short of the money needs of the world. But even if this were not the case, and it were possible to increase the gold and silver coin beyond the point of need, we should still have no inflation, but only over-expansion.

If a nation should decide to use only paper money, not based on coin, but receivable for all dues public and private, there would be no inflation. No increase in such a currency would constitute inflation, there could only be expansion or over-expansion.

Inflation occurs when a large amount of paper is based on a small amount of coin. In this case more is promised than can be performed at any one time. The supposition is, however, that the promises to pay will never all be presented at any one time, that no more of them will be presented at once than the small stock of coin will suffice to redeem, and that by constantly keeping this stock replenished, up to the given point, the whole of the larger volume of paper will continue to "float."

But this supposition becomes precarious just in proportion as the volume of paper exceeds that of the coin, and when the danger point is reached or passed then inflation begins.

Strictly speaking, inflation begins the moment the promises to pay exceed the real money available for payment, since it is conceivable that in some peculiar emergency all the paper may be presented for redemption within a brief period. But as this is extremely improbable, a moderate and ordinarily safe margin is not usually spoken of as inflation; it is only when the safe limit is thought to have been exceeded that the term is apt to be used.

This plain distinction between inflation and expansion is too often lost sight of, and the dangers and evils of inflation are mentally connected with expansion; and no small part of the prejudice existing against an increase of the money volume is due to that mistake.

The evils of inflation are manifest. The banks, finding their outputs of bills and checks circulating

freely and bringing them a rich revenue of profits, are tempted to increase them far beyond the limit of safety. At length some unexpected demand upon their resources (sure to come sooner or later) exhausts the slender base, and the exaggerated superstructure of "credit" (or confidence) money falls with a crash that brings widespread ruin to the industries of the country — a phenomenon that has passed before our eyes too recently to require any further illustration.

But nothing of this kind ever results, or can result, from simple expansion. Up to the limit of the money-needs of a nation expansion is greatly beneficial. Beyond that point, if not beneficial, it has never been shown that it is (or would be) very harmful. No instance can be adduced where an increase of real money, as distinguished from the products of inflation, has brought anything but prosperity. In every instance that prosperity has continued unbroken until contraction has set in; which, just as invariably, has brought disaster. The instances already adduced in previous chapters are sufficient to prove this point.

And what would have happened in either one of these instances, in our own country, for example, at the close of the Civil War, had the currency gone on increasing slowly for an indefinite period? Without experience to guide us, we must speak with diffidence; but so far as analogy and the reason of the case can enlighten us we must answer that continued expansion must have been attended with continued prosperity; prices would have gone on advancing, trade would

have been brisk, and the productive energies of the nation would have been kept at the maximum of efficiency. And if, when the stopping place was reached (from whatever cause), the money volume should have been (not contracted, but) kept at the existing per capita ratio, there seems to be no reason to think that any serious calamity would have ensued.

The dread with which the people look upon inflation is amply justified by experience. The dread with which they have been taught to look upon simple expansion is a mistake due to a confusion of ideas, and finding no excuse either in experience or in the reason of the case.

So utterly unlike are expansion and inflation that they are not likely to exist together, but apart.

When real money is abundant and increasing the currency of inflation is neither needed nor sought; the real money is preferred. But when the coin is scarce the almost inevitable result is that what coin there is is made the base of an unsteady superstructure of inflated bank currency offered to meet the unsatisfied demands of trade.

And so it comes about that we may have contraction and inflation at the same time — as we have had in the past two decades — and the combined evils of the two are enough to cast down the strongest nation in the world into the ignominious stagnation and disorder which we have seen all around us during the past few years.

CHAPTER XI.

HOW TO REFORM OUR DISHONEST DOLLAR.

Of all the difficulties of practical finance, none, perhaps, is greater than to secure a really "standard" unit. With us this standard unit would be a standard dollar. And the difficulty is to secure a dollar that does not vary in its money value — that is, in its purchasing power.

It is obvious that nothing which varies can be a true standard by which other things can be measured and compared. And a dollar which is constantly changing in value (unless within narrow limits) can never be a reliable standard, and the attempt to use it as such can only lead to confusion and disaster.

It has already been shown that the gold dollar is very far from being stable in its purchasing power. On the contrary, it has always been in a state of flux, varying at times more than 3½ per cent. per annum. It is probably the worst dollar for a "standard" that has ever been tried.

Neither is the silver dollar a true standard. Compared with the general range of prices, the tables show that it comes much nearer to correspondence with it, that is, to maintaining an equable purchasing power, than the gold dollar. Nevertheless, it has varied largely at different times, and especially in the past few years.

And if neither gold nor silver possess in themselves the required stability of value, it would be useless to look for that quality in any other commodity.

The reason of all this lies upon the surface, and it is passing strange that it should have escaped the notice of even the dullest investigator.

Gold and silver, like all other commodities, obey the law of supply and demand. The word "money" applied to these metals does not change their nature. There is no magic in it to alter or repeal a fundamental principle. And that both the precious metals have been compelled to obey this law is simply a matter of history.

Gold rose 145 per cent. from 1809 to 1849 because the supply fell off through the exhaustion of certain mines, while at the same time the demand increased by the increase of the world's population and trade. It fell again 20 per cent. from 1849 to 1873 because the opening of the California mines poured a new and unexpected supply into the channels of commerce. Since 1873 it has risen steadily at (about) 2 per cent. a year, because the demonetizing of silver (in Europe and America) has increased the demand for it, just as the demand for any commodity would be increased if a competitor in the market were suddenly withdrawn — just as the demand for woolen fabrics would be increased if the use of cottons were forbidden by law.

The same remarks hold in regard to silver. It rose in the early part of the century, along with gold, because the demand for both increased faster than the supply. Since 1873 it has fallen because, while the

traffic has increased, the demand has been greatly diminished by adverse legislation.

As this variation in the ratio of demand to supply can never be certainly guarded against, it is plainly impossible to find any commodity from which can be made a perfectly stable, standard, or "honest" dollar.

Is there, then, no way possible by which the evil effects of variation may be prevented, and a practically honest dollar be secured? There certainly is, and that a very simple and effective way, and that is to give the people a money supply sufficient to do all business on a cash basis, and then compel them to adopt that basis by repealing all laws for the collection of debts of more than (say) ten days' standing.

This would be completely effective. Variation in the money unit has no effect at all except upon debts.

If all debts were canceled on the evening of any day, so that everybody stood square with the world, it would not matter how much the money unit varied in value over night; all would stand square in the morning, and all would be affected in precisely the same proportion.

If the money volume doubled over night, then all would have nominally twice as much property, but really precisely the same. If the money volume was halved over night, then all would have nominally half as much property, but really, again, exactly the same — universal cash payments would completely neutralize all the effects of variation.

But if there were one man who went to bed owing his neighbor $1,000 he would wake up in the morning $500 richer in the first instance or $1,000 poorer in the second.

The effect of variation is all discharged upon debts, and the result is simply to transfer property from the hands of the owner into the hands of his neighbor, without compensation and without price.

And here emerges one of the peculiar evils of contraction. At the same moment it both varies the money unit and also compels an increase of those debts ("or credits") which alone render the variation disastrous. And so the ruin which it entails, like a falling body, goes on with ever accelerated velocity.

But, on the other hand, expansion, while it causes variation, does at the same time furnish a remedy, for it continually lessens the need, and volume, of debts, and thus diminishes the effect of variation, till the vanishing point is reached in a full circulation, and a practically cash system.

There is another way, however, of securing a near approximation to the same result, which is recommended by its easy practicability. It is the method adopted by France. An ample currency of $50 (or more) per capita is provided, thus discouraging "credits." The government then controls the banking system (as every government ought to do), and by raising the rate of interest (on loans) when money begins to grow "easier" and lowering it when money begins to grow "tight" the variations are confined within such narrow limits that no appreciable harm results. So perfectly

has this system been found to work that the rate of interest has now to be changed only twice in the year, and then only the fraction of 1 per cent.

France has thus the best monetary system in the world, while ours, patterned mainly after England's, with its six varieties of currency — greenbacks, treasury notes, currency certificates, national bank bills, gold and silver or their certificates — and the national banks in the hands of private manipulators, is a likely competitor for the disgraceful distinction of being the worst in the world.

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CHAPTER XII.

BIMETALLISM.

ADVOCATES of the gold standard are appropriately called "gold standard men," or more briefly "gold bugs."

Advocates of the double standard, on the contrary, are most inappropriately called "silver men," and no little prejudice is thus excited against them.

The truth is, bimetalists are as much gold men as silver men. They advocate both metals on equal terms, and they would resist the rejection of gold, as money, as stoutly as they do that of silver. And they would do this on precisely the same grounds. These grounds are the undeniable facts that there is not enough of either metal to furnish the tools of trade, and that the supply of both is but scanty for this great

purpose. The advocates of gold alone will do well to remember that in 1857 Germany demonetized gold, and was followed soon after by some other European states.

They did it for precisely the same reason that they now oppose silver.

The California discoveries promised to make gold the plentier metal, and the wealthy classes feared that their yearly tribute (of interest, rent, etc.) from the down-trodden masses would be somewhat lightened by a rise in prices. And, although this result would have meant a new era of prosperity and progress to the whole people, these hereditary despots and robbers of mankind deliberately plotted to prevent it, by discarding gold and leaving only silver as the money base. In a few years, however, it became evident that the gold supply was falling off again, and they hastened to retrace their steps and join England in demonetizing silver.

Those who imagine (as John Sherman has asserted) that there is some mysterious native, "intrinsic" stability in the gold standard should ponder well this telltale chapter in the history of finance. Bimetalists cherish no such superstition either in regard to silver or gold. They recognize the undeniable fact, proven by all experience, that the full use of both metals is no more than sufficient to keep prices from falling, to the ruin of every legitimate interest.

They also recognize a second fact of the utmost importance. And that is that the united product of

both metals varies far less, through a series of years, than that of either alone.

For many reasons it is not likely that there should be a sudden increase in the supply of both metals at the same time. We should naturally expect that when one increases the other would fall off, and such has been the historical fact.

When gold was discovered in California the news set everybody to hunting for it, and but little attention was paid to silver. Of course the product of the first greatly increased, while that of the second diminished. Later on the pendulum swung to the other side, and the conditions were reversed. And so it comes about that the united supply of the two metals has been much steadier than that of either taken separately. And this united supply has certainly not increased faster than the demand, in view of the rapid growth of the world's population and trade.

There is still a third fact of importance which bimetalists recognize, and that is that the gold and silver coin of the world forms one money, and not two different kinds of money.

If all the silver in use were suddenly transmuted to gold, of an equal money value, the eight billions of gold that we should then have would not be more completely one money than the eight billions we now have about equally divided between silver and gold. Every legal tender dollar in circulation, whether of gold or of silver, performs precisely the same money function as every other, and all of them, as money, are

exactly alike. From these facts it follows, by inexorable logic, that free coinage of both metals, on equal terms, at the established ratio, would secure absolute parity between silver and gold. Under this law, which was the law of this country from its foundation down to the ill-starred act of 1873, every man would be at liberty to pay his debts in whichever metal he might prefer. In this case, if either metal took a fall, from any cause whatever, instantly every debtor would seek for it, to the neglect of the other, in order the more cheaply to be quit of his debt, and this increased demand would speedily restore it to the old level.

The law of demand and supply would necessitate this result. In these conditions it would be as impossible to maintain one metal at a premium over the other as it would be to maintain two ponds of water at different levels with an open channel between them. By the law of gravitation the water would flow from the higher level to the lower till a perfect equilibrium was reached. And so under equal free coinage the demand for money would always run out toward the cheaper metal till it was no longer the cheaper, and it would be logically impossible to maintain for any considerable period a disparity between the two metals.

On the other hand, the theory of the treasury department that parity is maintained by redeeming in gold the treasury notes (representing the silver purchased under the Sherman Act) is the climax of absurdity. As well might we speak of bringing the balances to a poise by putting all the weights into one scale and

nothing into the other; or of making two men equal before the law by appointing one of them absolute master and guardian of the other.

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CHAPTER XIII.

THE SECRETARY-OF-THE-TREASURY ACT.

It was pointed out in the last chapter that free coinage of both gold and silver on equal terms must of necessity preserve parity between them; but that the practice of the treasury department, in redeeming in gold the notes issued under the Sherman act, does not preserve parity, but rather destroys it.

Of what use is it to coin silver dollars and then make those dollars redeemable in gold? In what respect are such dollars better than paper, except it be to confuse the minds of the people and blind them to the unauthorized inflation that is going on?

This strange act of the treasury department is a plain violation of both the written and unwritten law of the land. In the whole history of the country no man in Congress ever broached the idea that a silver dollar is only a promise to pay gold. The Sherman act itself contains no such provision. It does indeed say that the secretary of the treasury may redeem the treasury notes in gold or silver at his option. But in whose interest is he bound to use this option, that of the people whose agent he is, or that of the creditors of the people?

Plainly it is in the interest of the people that he is

under oath to use this option, and not in the interest of their creditors; precisely as every man has the option to pay his debt in either coin as he prefers, and not the creditor who is demanding payment.

This option is the debtor's option and not the creditor's; and this surrender of it to the nation's creditors by the nation's own sworn servant is a malfeasance of office which ought to be visited by immediate impeachment on the part of the legislative whose functions he has thus dared to usurp. Besides, the Sherman act expressly says that parity is to be maintained, whereas the course taken has had the effect to depreciate silver for it has completely demonetized all the silver purchased under the act. It lies useless in the vaults of the treasury, having no more real relation to our currency than the vaults themselves, or any other government property. It is true that the silver dollars or certificates put in circulation before the Sherman act was passed are still legal tender, and circulate at their full face value.

But this only puts in bolder relief the secretary's antagonism with the law, and proves that if he had announced his intention to redeem the treasury notes in silver when gold was not at hand in ample amount for all the other needs of the treasury, the treasury notes would have circulated side by side with the silver certificates (having at least as good a basis), and there never could have been any scare got up by the banks concerning the ability of the government to meet its obligations.

But the course actually taken has nullified the law, invited panic, hopelessly muddled the nation's finances, overthrown, in principle, constitutional bimetalism, and wrought a ruin which it will require years to repair.

Plainly, Congress was called together in extra session in 1893 for the wrong purpose. It was not the Sherman act so much as the secretary-of-the-treasury act that needed to be repealed. The whole truth is, that both should go, and a speedy return be made to the genuine bimetalism of our fathers, maintained by the honest free coinage of both metals on the same terms.

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CHAPTER XIV.

THE "FALL" OF SILVER.

THE first question that arises under this head is that of cause, and it follows inevitably from the principles of bimetalism that the cause could have been nothing else than adverse legislation. And the facts of history correspond with this view. During the whole period of free coinage in this country there were only insignificant variations in the ratio of silver to gold. In the year 1800 the ratio stood at 15.68. In 1872, the year before free coinage ceased, it stood at 15.63—a trifle higher than at the beginning of the century. Between these dates the changes were too slight to have any bearing on the present subject.

Thus for nearly a century, under free coinage in this country, there was no "fall of silver," and that,

notwithstanding the fact that England had demonetized silver as early as 1816.

This is, indeed, a remarkable fact. Nothing, perhaps, could show more conclusively the world's need and demand for silver than this historical fact that it held its ground unshaken in spite of the utmost power and influence of the chief commercial nation of the world.

It is even probable that this dastardly blow struck by England against the welfare of all other nations (and of the masses of her own people) in the interest of her wealthy classes, would have proved utterly ineffective but for the fatalities of the Franco-Prussian war. It was the enormous war indemnity, $1,100,000,000, with which France was compelled to purchase peace of Germany, that induced the latter power to listen to the arguments of British emissaries and demonetize silver in order to increase the value of the indemnity.

It was a disastrous mistake. For every dollar gained on the indemnity, it is safe to say that ten were lost in the disturbance and stagnation of her own industries. Bismarck himself became convinced of this a few years later and made the lame apology that he left the matter to others and they misled him.

Yet even Germany's defection would not probably have seriously weakened silver but for that of our own government. That same insidious British influence, which through Lombard Street rules Wall Street, and through Wall Street rules Washington, in financial

matters, in some way prevailed to secure the act of 1873, which demonetized silver in this country.

Then came the "fall of silver." In 1874 the ratio had fallen to 16.17; in 1876 to 17.88; in 1879 to 18.40; in 1885 to 19.41; in 1886 to 20.78; in 1887 to 21.13; in 1889 to 22.10 and now stands not far from 25,— that is, it now takes 25 ounces of silver to buy one ounce of gold in the markets of the world, whereas it takes but 16 ounces of our silver coin, legal tender, to exchange for one ounce of our gold coin.

The demonstration is complete that it was adverse legislation that depressed silver; and the conclusion is inevitable, that a repeal of that adverse legislation would at once restore it to a parity with gold at the coin ratio of 16 to 1; in Europe 15½ to 1.

But before considering this point it is desirable to know whether silver has really fallen or whether the disparity is actually due to a rise in the purchasing power of gold. And the facts show that it is almost wholly the latter.

If we compare the price of silver with the prices of the most important articles of production we find that from 1873 to 1890 silver was practically at a standstill. It fell, in comparison with gold, but only in the same proportion as did all, or nearly all, other commodities.

But, as already shown in previous chapters, when the general range of prices sinks, the cause must be that the standard by which those prices were determined has appreciated, or risen; but because we habitually think of the standard as something fixed, we

commonly attribute the change to the things measured by the standard; just as we say the sun "rises," by attributing the earth's motion to the sun; or, as we imagine the shore to be moving by transferring to it the motion of the steamer on which we are riding.

During the seventeen years from 1873 to 1890, therefore, it was gold that rose; silver did not really fall. Since then it may well be that, under the influence of panic, it has somewhat diminished in its purchasing power. Yet if we compare it with that great staple, wheat, the "fall" has been slight. A careful writer, who never makes statements that he cannot substantiate by abundant facts, has recently said:

"Gold the world over in the last thirty years has appreciated 40 per cent., putting upon the debtor classes a money burden, as measured by the price of commodities, equal to a sum that could buy out all North America and make an ugly hole in South America. As President Andrews of Brown University has said, when the national debt was $2,750,000,000, it could have been paid with 18,000,000 bales of cotton or 25,000,000 tons of pig iron. When the debt had been reduced to $1,250,000,000, it would take to pay it off some 30,000,000 bales of cotton or 32,000,000 tons of pig iron. This is what an 'honest' gold dollar has done, and Americans talk politics like angels but go down and vote like galley slaves. Both of the old parties are irrevocably pledged to the gold dollar on an intrinsic basis. It would have been much more honest the past twenty years to make pig silver a

legal tender. Compare it with wheat. For example, silver was $1.32 per ounce and wheat $1.41 per bushel in 1872; silver $1.13 and wheat $1.19 in 1882; silver .86 and wheat .80 in 1892; and July 1st, 1893, just as the bankers' panic was starting, silver and wheat were both .62."

The "fall" of silver, therefore, turns out to be pretty largely a fiction. The two metals have parted company in the bullion market; but it is gold that has broken loose from its old moorings and soared away like an escaped balloon, while silver has plodded along on terra firma, in honest company with most other commodities.

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CHAPTER XV.

THE RATIO.

In the last chapter it was shown that the "fall" of silver is largely imaginary; that it is really the rise of gold almost wholly that has separated the two in the bullion market; that the cause of all this is adverse legislation; and that consequently the repeal of such legislation and a return to equal free coinage must restore the old parity.

To make this plainer, let us suppose that England had, unaccountably, passed a law forbidding her people to use the white grain, wheat, for bread, allowing them to use it only for feeding cattle; thus confining them to the use of the yellow grain, corn, for bread;

and suppose that this country, still more unaccountably, had followed the example of England.

In this case no one would wonder that corn should rise and wheat should fall, since the demand for the first would be greatly increased, while the demand for the second would be greatly diminished. If then the question were asked, what would restore them to their former prices, no one would think of suggesting anything but a repeal of the absurd and unjust legislation. No one on two continents, it is safe to say, would be found foolish enough to suggest that it would be also necessary to enlarge the wheat bushel by one-fifth or one-quarter of itself; yet precisely such a proposition has been advanced by the opponents of silver. It was depressed in relation to gold by being shut out from its principal use by unjust legislation. By all the laws of economics (to say nothing of logic), a repeal of such legislation must repair the wrong done to silver. But these wiseacres propose to stereotype the wrong and make it perpetual, by an irresistible decree of the law declaring that when it is again admitted to its principal use, by free coinage, it shall be under an entirely new condition compelling the unit of measure, the dollar, to contain 20 or 25 per cent. more silver than before!

The mere statement of such an absurdity ought to be its sufficient refutation.

But look for a moment at the practical difficulties in the way. There are in use about $4,500,000,000 of silver coin. If the ratio is changed, say to 20 to

1, all this silver must be recoined at a loss of over 20 per cent., or more than $900,000,000. Is it probable that civilized nations will be induced to shoulder this enormous burden to humor the fancy of those who seem to think that the most important object of legislation just now is to prevent a few miners in Nevada and Colorado from making something more than ordinary day wages?

It would be far cheaper for the nation to buy up, at the old price, all the silver now on the market (not over $10,000,000) and all that should come upon the market (over and above that wanted in the arts) for an indefinite period to come.

This surplus could be sold at some price, and silverware would be cheapened, to the benefit of the people. And, on any reasonable calculation, the loss thus incurred would not equal the $900,000,000, with the accruing interest thereon, for a thousand years, if it ever did. That it never would is as certain as anything future can be. The interest on $900,000,000, which must be sacrificed at once, if the ratio is changed, at 10 per cent. per annum, is $90,000,000; which is very nearly equal to the entire annual product of silver, above what is used in the arts! But as a large portion of this is demanded for coinage, in India, China, Japan, South America, Mexico and our own country, the reader can judge how soon the surplus would overtake $900,000,000 put at compound interest, at 10 or even 6 per cent. And he will then observe that there is a solid and substantial meaning

to the word "established" in the phrase "established ratio." It is "established" by a make-weight of money value in its favor that interposes an effectual hindrance to the ludicrous schemes of the ratio changers.

And right here is found a complete answer to the question so often and triumphantly asked, shall our government be compelled to pay the "silver kings" $1.29 an ounce for silver worth only 75 cents an ounce? The moment the government buys it and puts its stamp upon it, it is worth $1.29 per ounce, for its own use and the use of the people in making their exchanges. Neither the government nor the people lose anything, and if the miners make a good profit, this is no more than ten thousand other syndicates and monopolies are doing at this moment without any rebuke from the monometalists. The fact that the mine owners would make good fortunes is a fair argument for government ownership of the mines, but it is no argument at all for withholding from the people the needed tools of trade, and thus inflicting upon them an injury a thousandfold greater than all the profits of all the silver mines of the world.

It is commonly thought that the coal barons are reaping a pretty rich harvest — about $80,000,000 per year above a fair and legitimate profit. This is an excellent argument for government ownership of the coal mines; but no one was ever so insane as to offer it as an argument in favor of forbidding by law the sale of coal and thus stop all the furnaces and

engines of the land, to say nothing of depriving the multitudes in our cities of their only adequate supply of fuel.

Whatever silver may be worth for the purpose of making tea spoons and forks, it is well worth $1.29 per ounce for its nobler use as money; indeed, we could afford to give much more for it, rather than go without it; and the argument against free coinage based on the fact that it does not cost, at present, quite that sum to mine it, is simply preposterous, and it is high time that it should be cast to the rubbish heap, along with other outworn and oft-exploded fallacies.

The reader should constantly keep in mind the fact that there is a wide distinction between the money value of a silver or gold dollar and its commodity value. The money value is the value of the service which it renders as an instrument of exchange. The commodity value is the value of the service which it renders when made into a fork, a spoon, or a scarf pin, etc. The money value, is many times greater than the commodity value, since the inconvenience and loss resulting from being deprived of a reliable medium of exchange would be incalculably greater than that resulting from being deprived of silver and gold ornaments and table ware. Other materials could easily and at once be substituted for gold and silver in the commodity uses, but it would be exceedingly difficult, if not impossible, to substitute anything else for gold and silver, as the money of the world;

and to go without money would reduce us to economic barbarism.

It may be that 25 4-5 grains of gold are more desirable for commodity uses than 412½ grains of silver; but put on the government stamp, and each becomes a dollar, having precisely the same debt-paying power and rendering precisely the same money service, and, as money, have exactly equal value. And as this value is many times, probably not less than twenty times, the commodity value of either, the difference in their commodity value becomes of relatively small importance. This helps to explain why even now, while unequally treated by the law, they stand at par in the money market. But equal free coinage for both would necessarily erase all difference in price — the only difference would be a possibly increased use of one metal as money and of the other as commodity.

It is now easy to see why coined silver is worth more (as measured by gold) than uncoined silver; the law enhances its value, not directly by fixing its price, but irresistibly by enduing it with a new power — the power to discharge debts, or serve as legal tender.

There are other instances of a like difference made by law.

Let us suppose that a stout, bright Irishman is at work paving the streets of Boston at $1.50 per day — or, say, $450.00 per year.

Some day the chief of police comes along, and, needing a new patrol, selects this man, takes him to the station, and puts on him the government badge; and

immediately his salary is $1000 per year, more than twice as much as before! And why? Simply because he is now rendering a more important, responsible and valuable service than before. That badge gives him the right to shut up an unlicensed grogshop, to command the tramp to "move on" and to arrest at sight any disorderly or even suspected person. This he could by no means do before; but the law empowers him to do so now, and thus legislates value into the same energies by which he has always and all along toiled.

And thus we have two kinds of laborers (precisely alike in their personal ability) doing service side by side, but one at a wage more than double that of the other because of the government badge which he is permitted to wear.

It is precisely so with coined silver as compared with the uncoined. The government stamp is the government badge, empowering it to a higher service than the making of teaspoons or forks, and thus effectually legislating value into it. And if all the silver available should receive this stamp, it would all be raised in the same way to a parity with gold at the established ratio, since we know that the demands of trade would absorb it all, and very much more, could it be obtained.

And so the dictum "you can't legislate value into anything," so often on the tongues of the monometalists, turns out to be a sad fallacy, as transparent as it is absurd.

CHAPTER XVI.

INTERNATIONALISM.

THE broad position that adverse legislation has depressed silver in relation to gold and that a repeal of such legislation would at once restore it to its old place is unassailable. And it is not seriously disputed even by the monometalists. The production of silver has indeed increased, but as the world's population and trade have increased, in even greater ratio, there is no assignable reason why the removal of the original cause of depression should not remove the depression itself.

But the practical question before this country is somewhat different. It is whether the removal of the restrictive legislation by this country alone would remove the depression and restore parity, without the concurrence of Europe; and, if not, whether this country should still, on its own account, return to equal free coinage.

Let us seek an answer to the last question first. And at the outset it is well to notice that in all probability this country must act alone, if anything is to be done. Europe insists on the gold basis simply because the ruling classes of Europe know that this policy increases their revenue immensely and renders their power irresistible. Of what use to reason or petition against such an argumentum ad hominem? Three successive monetary conferences have gone to pieces

on this rock, and as many more would probably meet the same fate.

But, now, shall the people of this country, who are in no danger from the soldiery of Europe, dare to rise and throw off the yoke by returning to free coinage? It would seem that the question ought to answer itself. We suffer from the present crafty policy precisely as the masses of Europe suffer. If they pay tribute, no less do we. The failure of our government to furnish its people with an abundant currency — that is, with sufficient tools to do their business — has compelled them to borrow of Europe — to hire Europe's tools — at usurious rates. Not less than $12,000,000,000 of our bonds of various descriptions are held in Europe. The yearly tribute which we are obliged to pay on them, reckoning interest at an average of 5 per cent., is the enormous sum of $600,000,000. By securing the demonetization of silver, those bonds and this tribute have already been increased in value, since 1873, over 40 per cent. And by continuing that demonetization, they will secure a continued increase of 2 per cent. a year, that being about the average since '73.

Here we have about $5,000,000,000 already added to the principal of our debt, and more than $200,000,000 added to our yearly tribute! Will Americans tamely submit to such high-handed and degrading extortion? Our fathers raised the flag of insurrection at the risk of life and fortune, rather than submit to a trifling tax on tea, because they considered it unjust. But here is a tax a thousandfold greater and more disgraceful to us. Every motive of manliness and self-respect should impel us to throw off such a foul yoke of bondage, and assert our financial independence, even though it might cost us great temporary loss and sacrifice. We could at least transmit to our children, as our fathers did to theirs, an honorable record and a free heritage.

But in what possible way could any loss come to us from taking such a course? The banks, no doubt, would, as the laws now are, have it in their power to hoard up gold and drive it to a premium; but it should be a part of any free coinage legislation to put the banks under stern restrictions, such as would, forevermore, put it out of their power to give the business of the country a staggering blow at will, such as they dealt out to it during the late panic.

This being settled, gold would flow to Europe gradually, only as silver came in to take its place, and there could be no premium till the last dollar was gone. But long before that could take place the increase of gold in Europe would raise prices, and our exports would tend to increase; and as the balance of trade is usually in our favor, gold would have to come back faster than it went over, or else Europe would have to surrender some of our bonds to meet the balance against her. In either case we should be the gainers, and the yoke of oppression would be shattered. But suppose Europe should send back our bonds in large amounts, as the gold bugs threaten, what then? Simply this, their price would fall till the influx was

checked. If they demanded money for them, then money would become plenty in Europe, raising prices and stimulating our export trade, and any tendency to a tightness in the money market could be effectually checked by a temporary issue of greenbacks, which would win in a war with bonds as easily as they did in the war with rebels. If they demanded goods, then also our exports would be increased, and our people benefited. But suppose Europe should take such a course as to force gold to a premium, would not trade be hindered? Perhaps so, but who would suffer most? We buy luxuries of Europe, while they buy necessaries of us for the most part. It is evident enough that the advantage in that sort of warfare would be altogether on our side.

The rate of exchange which our importers would have to pay on imported goods would be a tax precisely like the present tariff tax, and so would simply be protection in another form, stimulating our manufactures and improving the home market. And thus all the tomes of argument that have been written in favor of protection serve as a complete answer to the monometallic shrieks as to the danger of a premium on gold. Yet these shrieks usually come from protectionists. Consistency, thou art a jewel!

But Europe could not afford to let things take such a course. She would lose our trade. She would lose the trade of the silver nations, which would come to us with a rush because there would be no rate of exchange to interfere, and her American bonds would

have be to sold at an immense sacrifice, or would greatly depreciate on her hands, and thus the first question is answered in the affirmative, and Mr. Blaine's sagacious opinion is justified, that if this country would lead in restoring silver, Europe must, for her own sake, follow.

Where is the Moses who will lift his rod over the Red Sea of prevailing delusions, and lead this deceived nation out of its more than Egyptian bondage to the Shylocks of Europe?

CHAPTER XVII.

WHEAT AND COTTON.

It has been seen that England led in demonetizing silver. Her motive was evident. Mr. Gladstone proclaimed it as from the housetops. In open Parliament he explained that by this policy the tribute which Englishmen were receiving in the form of interest on bonds and mortgages would be steadily increased.

How much has this increase amounted to? While the monetary conference was in session at Brussels Mr. Gladstone opposed the restoration of silver on the ground that this would be a virtual gift from England to other nations of $500,000,000, from which it appears that in Mr. Gladstone's opinion the profit to England from the appreciation of gold due to the ostracism of silver was a half billion of dollars! And a large share of this was the loss inflicted on this country! By what

sorcery did England prevail with our government to become a party to this fleecing of its own people? If this does not prove that our government has been too much under the control of the bond-holding and money-loaning class, then there is little virtue in "signs."

But England soon found another and a most effectual way to utilize the raid on silver. Whether she saw it at the start may be doubted. But it did not long remain undiscovered, and once found it has been employed with a subtlety and skill which a Machievelli might envy.

The vast empire of India was under her control. Here silver had always been freely used. England made it the only legal money by demonetizing gold. The demand for silver was thus made brisk and constant. As a matter of fact, about $40,000,000 annually have been coined. And such is the yearly increase of India's vast population and trade that she could easily have taken twice that amount with real advantage. And this silver was worth $1.37 per ounce, measured by the gold standard. That is, an ounce of silver coined into rupees would buy as much of the products of India as $1.37 of gold.

Now it is evident that if England could succeed, by statecraft and the power of a subsidized press, in so deceiving the people in some remote corner of the earth where silver abounded, that they should be led to despise their own riches, and instead of using their own silver as a medium of exchange, hire her gold at

ruinous rates of interest, and thus leave the silver to fall in the market to $1 in gold per ounce, then Englishmen could make over 30 per cent. profit by purchasing it at that price and getting it coined in India, and buying therewith Indian wheat and cotton with which to supply the markets of Europe. And it is further evident that no other wheat and cotton could compete with that of India unless it could be produced at least 30 per cent. cheaper—not an easy thing to be done when we remember that the Indian laborer earns the smallest wages quoted, ranging from $10 to $40 per year!

Well, that remote, benighted, and truly verdant people, among whom England put in successful practice this thimble-rigging scheme, was the nation which has recently repealed the Sherman act. In 1873 this nation demonetized silver, which soon fell to one dollar per ounce, and latterly has fallen much lower. And in proportion as it fell, our farmers found themselves under bid in the European market, until wheat has been quoted at less than 50 cents per bushel, and cotton at less than 6 cents per pound.

In short, by inducing America to demonetize silver, England has been able to use American silver as a club with which to beat down American wheat and cotton far below the legitimate cost of production.

It is this terrible blow that has prostrated the agriculture of the West and South, and is fast banding them together in solid phalanx to seek possession of a government which for thirty years has persistently

sacrificed their interests to those of foreigners and their sympathizers here.

But how did England contrive to keep silver from rising under the demand from India? By a very simple process. India owes England $80,000,000 of annual interest payable in gold. The Indian government sends "silver bills," payable at the Indian treasury, to London, and sells them to the merchants for gold to pay the debt. The merchants send the bills back to India to pay for merchandise.

Now the price of these bills fixes the price of silver in London, and, therefore, in this country. And by overloading the market at will, the Anglo-Indian government has been able effectually to check any tendency in silver to rise to any extent inconvenient to themselves.

They have taken care also that at no time should the supply of silver bullion unsold on the market fall much short of $10,000,000. At one time, when a tightness in the Indian money market by stimulating coinage threatened to produce this result, they bridged over the crisis by a temporary issue of rupee greenbacks.

Thus, while actually buying a large part of our output of silver, England has contrived to keep the market well stocked, the price continually declining, and her profits enormous.

No chapter in our history is more humiliating than this. At every turn we have lost and she has gained. As Gen. Warner has well said, in this whole silver

business John Bull has appeared as the bunco steerer, and Uncle Sam has figured as "the gentleman from the rural districts."

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CHAPTER XVIII.

THE BANKS.

THE late panic injured business chiefly by crippling the banks. Over 300 of them failed and closed their doors. The remainder became very cautious. Loans, or "credits," usually given to all responsible business men, were largely refused. Thus a very large share of the bank facilities for doing business were withdrawn. It is a very moderate estimate to say that this diminution of bank facilities, at the highest point, amounted to one-third, or 33 1-3 per cent.

How much of the business of the country was thus left unprovided for by the banks? No authority sets the amount of business usually done through the banks at less than 90 per cent. of the whole; some place it as high as 94 per cent. Therefore, at least 30 per cent. of the business of the country was turned out of doors, so to speak, by the banks. Nothing remained but to try to do that business with the currency in circulation. But this was already pretty fully employed in doing the 10 per cent. of business never done by the banks. How could it be made to do four times as much? It could not be made to do this, and business received a staggering blow. And here at once we see the chief reason why money seemed to become sud-

denly scarce. It was called upon to do four times as much service as usual. Relatively to this increased demand money was exceedingly scarce. But absolutely there was just as much as there had been before the panic began; — more, in fact, for the people drew out of the banks $200,000,000 that had not been in circulation recently. Some of this, no doubt, was laid by, "hoarded," as the phrase is. But it is not at all probable that this was true of all of it.

But why was it that so many banks went under merely because people called upon them to fulfill their promises? Simply for the reason that they are allowed by the banking laws to put forth five times as many promises to pay, (bills, checks, etc.,) as they have currency with which to pay. No doubt they often exceed even this limit. But this much the laws allow, and this is amply sufficient to make panic possible at any time and certain at some time.

What would be thought of a merchant who undertook to expand his business to five times the volume of his capital, so as to have outstanding, at all times, bills and notes, payable on demand, to five times the amount of his available assets? Certainly, this would not be called "sound" financiering.

Yet here we have the banks doing essentially the same thing under the law! It will not do to say that they always hold securities enough to cover all their obligations. Their promise is to pay "lawful money," and not "securities," to the holders of their paper. "Give them time and they can pay." Yes, but their

promise reads to "pay on demand," and that means immediately without asking for time. There is no escaping the conclusion that they are on an utterly unsound basis. They hope, indeed, that not more than one-fifth of their promises will be presented for redemption at any one time, but more are liable to be presented at any time, and sure to be presented the moment any unusual conditions disturb the ordinary course of business, and then the crash comes.

All this would not be so bad if banking were a separate branch of business, like the dry goods or grocery trade. In that case the banks might fail and the rest of the country remain comparatively safe. But the fact is that banking is now an element in every branch of business. This bank business is interwoven with the warp and woof of all forms of business. The banks furnish, so to speak, the machinery with which all business is done. And so, when they fall they drag down all business with them into a common disaster.

Here, then, is one fatally weak spot in our system of finance. The banks are so organized that the business of the whole country is kept continually upon the edge of a precipice, where any slight push will topple it over, and the push is sure to come.

The repeal of the Sherman act has not removed this ever-present danger. There is little doubt that before many years pass the people will demand that the government shall own and operate its own banking system, and thus forever render impossible such needless disaster as has so recently come upon us. Meantime it is

evident that the ampler our currency is the less harm would a bankers' panic do to business.

Thus, when the late panic began, if we had had four times the money in actual circulation that we did have the diminution of bank facilities would have been felt but slightly, and an untold loss would have been avoided. Free coinage of silver would gradually give us such a currency, and thus prove a bulwark of protection to business, while promoting prosperity in many other ways.

Unfortunately, at this point, the interests of the banks run counter to the interests of the people. The great conflict has only begun. The banks have indeed won the first skirmish; but so did the French in the last war with Germany, but they were overwhelmed shortly after. And the peoples' turn in this financial war will come later on.

CHAPTER XIX.

MANIPULATION OR LEGALIZED ROBBERY.

BANK "credits" are a peculiar device for doing business without money. It is on this wise: A, B, C, etc., deposit in bank their notes, properly indorsed, let us say, for $5,000 each. Neither of them takes away any currency, but each is now allowed to issue checks on the bank to the amount of his note. Let us suppose that A buys goods of B to the amount of $1,000 and pays him with a check. The bank simply charges

$1,000 to A's account and credits the same amount to B's account. Shortly after B buys the same amount of goods of C and $1,000 is charged to B and credited to C. A week later C buys the same amount of A and $1,000 is charged to C and credited to A.

This completes the circle. Each man has had $1,000 charged and credited to his account. The two operations exactly cancel. Each man stands exactly as he did to begin with. And $3,000 of business has been done without the use of a dollar of real money, and without the presence of a single dollar in the hands of either party. Meantime the bank is drawing 6 per cent. interest on the $15,000 for simply making six entries on their books! A pretty round charge for the simplest kind of bookkeeping. Supposing that the transaction occupied six days only, the cost is $15. Had A, B and C paid cash, in government money, this charge would have been saved.

Now, suppose, further, that this canceling process goes on till the notes mature. The $15,000 principal must then be paid to the bank, and all for a little bookkeeping!

It may be said that such a case of complete cancellation never occurs. True, but partial cancellation is constantly going on; it takes place on a great scale at the clearing house, and the aggregate of bank profits is enormous.

But the burden (and the total is vast, estimated at about $900,000,000 per year, and constituting about one-fourth of the cost of all that we buy) which is im-

posed upon business by this bank substitute for money is only one of its evils. It is another, and perhaps a greater one, that it enables the banks to contract or expand at pleasure the facilities for doing business and thus regulate prices. They can depress prices by withholding credits, making money "tight," as shown in the last chapter, buy largely at these low prices, then raise prices by granting credits freely, and sell, and pocket the advance.

The terrible power thus put in their hands can best be understood by taking a supposed case:

Suppose that the monarch of a certain country should, by virtue of absolute power, compel his subjects periodically to deposit with him, for safe keeping, one-half of all money in their possession; that he should keep it long enough, on each occasion, to bring down prices one-half—for contracting the currency depresses prices in proportion; that he then invests the hundred millions of money which constitutes the accumulated royal treasure, much less than the fortune of a Rothschild or a Rockefeller; that he then restores the deposited money of the people, and waits till prices rebound, in consequence, to their old figure, and then sells his holdings. It is plain that he would thus make a clear profit of 100 per cent., or $100,000,000.

A repetition of this process would give him $200,000,000 of profit. And he would go on doubling his wealth at each operation, till he would become absolute owner of all the property of the realm, and his subjects would become slaves, as abject as the Egyptians who sold themselves to Pharaoh for bread.

Now, this terrible power, which no autocrat ever yet dared to use or to claim, is put in the hands of the banks by the laws which have been made in their interest. By manipulating their credits, they are able, in a dangerous measure, to control prices. And as the officers and directors of banks are always capitalists, they find no difficulty in availing themselves of this more than kingly power. By contracting bank facilities, lowering prices and buying wheat, corn, cotton, etc., and then expanding, raising prices and selling, they are able to gather in the wealth of the country, as deftly as a suction pump draws water from a well.

Now, this whole process is not only of no service to business, but a great injury, disturbing trade and hindering production. It is, therefore, dishonest and extortionate. And the wealth thus acquired is pure plunder; as certainly such as is the booty of the thief who breaks house or that of the burglar who cracks a safe.

Concert of action is not difficult to secure where self-interest is impelling all alike in the same direction. What more is needed is supplied by circulars sent around at the proper season containing the needed "tip."

In proof that such circulars are sent out, and that the banking system was devised for the very purpose of obtaining such power, read the following circular sent around in the war time:

THE HAZARD CIRCULAR

"Slavery is likely to be abolished by the war power

and chattel slavery destroyed. This, I and my European friends are in favor of, for slavery is but the owning of labor and carries with it the care of the laborer, while the European plan, led on by England, is capital control of labor, by controlling wages. This can be done by controlling the money. The great debt that capitalists will see to it is made out of the war must be used as a measure to control the volume of money. To accomplish this, the bonds must be used as a banking basis. We are now waiting to get the secretary of the treasury to make this recommendation to Congress. It will not do to allow the 'greenback,' as it is called, to circulate as money any length of time, for we can not control them. But we can control the bonds and through them the bank issue."

And then read this, sent out a little later by the secretary of the Bankers' Association, James Buell, "No. 147 Broadway (room 4), New York":

THE BUELL BANK CIRCULAR.

"It is advisable to do all in your power to sustain such daily and weekly newspapers, especially the agricultural and religious press, as will oppose the issuing of greenback paper money, and that you also withhold patronage or favors from all who will not oppose the government issue of money. Let the government issue the coin and the banks issue the paper money of the country, for then we can better protect each other. To repeal the law creating national banks or to restore to circulation the government

issue of money will be to provide the people with money, and will, therefore, seriously affect your individual profits as bankers and lenders. See your member of Congress at once and engage him to support our interest that we may control legislation."

Such is the "animus" of the banking system of the country. No wonder the banks oppose free silver! The less government money there is in circulation the more complete is their monopoly of the means of doing business, and the more readily can they manipulate those means so as to possess themselves of the people's wealth! But who can account for the stupendous folly of a people who suffer themselves to be wheedled and deceived into arguing and voting to perpetuate a system by which they are rapidly being reduced to industrial serfdom?

CHAPTER XX.

THE LOAN SYSTEM.

FREE coinage supplies the people with money directly, and does not compel any loans. The mine owner takes his gold and silver to the mint, has the government stamp applied, carries home the resulting coin, and with it pays the wages of thousands of miners, or buys property for his own use as consumer or investor. In this way the money flows out naturally into the channels of trade, and loans, if any, are purely voluntary transactions between freemen.

Or, if the government owns mines, or issues paper

based on its undoubted credit as having the power of taxation, it uses all this money in payment of its running expenses, and the same result is reached as before.

But the bank idea is totally different. This plan is to compel the people to borrow money and pay interest, by refusing to furnish a sufficient amount by the methods just stated. And the people are compelled to borrow of a particular class — the bankers — because of laws which discriminate in their favor. If a citizen holds a government bond of $1,000, he can deposit it at Washington for safe keeping, and draw his interest regularly at the sub-treasuries. And this is all. He can not also ask the government to put in his hands, on a charge of 1 per cent., $900 in paper to loan out to his neighbors, thus getting double interest on nine-tenths of his bond. But if one or more men hold $100,000 in government bonds, they can deposit their bonds and draw interest, as in the former case, and also demand and receive back from the government, on a charge of 1 per cent., $90,000 in "national" bank bills, which they proceed to lend at the highest rates obtainable to business men who are compelled to borrow by the planned scarcity of other money. Thus the bankers draw double interest on nine-tenths of their bonds, and roll up fortunes without difficulty.

Here is a most odious form of class legislation. And the class favored is the rich capitalists, who least of all need any such discrimination in their favor. And the effrontery shown by this class in denouncing the demand of the Western farmers that government should loan them money at 2 per cent., while they themselves are virtually borrowing it of this same government at 1 per cent., is only equaled in marvelousness by the stupidity of multitudes of their victims in the East, who, year by year, go to the polls and vote to uphold a system by which they are, not slowly but surely, being pauperized.

Consider a little more closely the essential vice of this loan system. For illustration, take an extreme case. Suppose a country of 1,000,000 inhabitants to be wholly without money, but each owning a comfortable estate. The government issues $50,000,000 of money to supply the wants of trade. But instead of furnishing it directly to the people, by paying its bills with it, it puts that money into the hands of a few nobles of the realm, who thus have the exclusive privilege of loaning it out to the people on usurious rates secured by mortgages on their homes. Let us suppose that the average rate is 10 per cent., and the time one year.

Now study the inevitable result. At the end of the year the people must pay back to the bankers the $50,000,000 principal plus $5,000,000 of interest, and it must all be paid in money.

But there is only $50,000,000 of money in the country! The whole debt can not be paid in money. Those who are fortunate enough or shrewd enough to get hold of the money at the time of payment

can save their homes. But somewhere in the country there must be men who must meet demands amounting to $5,000,000 by having mortgages foreclosed and surrendering property actually worth double the amount of their debt: and $10,000,000 of property is alienated from the hands of its rightful owners, and transferred to the possession of legalized freebooters! It will amount to the same thing in the end if these unfortunate victims of an unjust and absurd system of finance get an extension of time and replace the old note with a larger one indorsed by some more fortunate neighbor, thus refunding the debt increased by the interest. That is only postponing the evil day; or rather it is not postponing it, for the increased interest becomes a tribute which soon becomes practically equal to the rent that would have to be paid to the banker for the use of the property if it had been formally surrendered.

Such is the terrible process actually going on in this country under our banking system. Not so rapid as in the case supposed, it is yet most real, and it has been one of the chief means by which the farmers have lost two-thirds of their holdings in forty years, by which mortgages have come to rest on 9,000,000 of American homes, and by which a nation which boasts of being free has become enslaved by a total debt of $30,000,000,000 the annual tribute on which at 6 per cent., is $1,800,000,000 — more by $100,000,000 than all the money that exists, in the banks and out!

And this is the system devised by England and slavishly followed by those who are descendants of the men who laid down their lives to throw off England's political yoke. They little thought that their posterity would meekly bow their necks to a financial yoke that is a thousandfold heavier!

And how has this system resulted in England itself?

A recent writer says:

"The Bank of England was founded 200 years ago, since which time the owners of her soil have been reduced from 1,500,000 to less than 20,000. This bank, by her manipulations of money between the years of 1820 and 1825, reduced the number of English land owners from 165,000 to less than 40,000, and this reduction has continued until it is said that twelve men own one-half of the soil of England and 20,000 the other half."

Let those who desire to see a like consummation in this country go on voting for the gold standard, and in a few decades more, if this policy prevails, the maddening and miserable spectacle will be before their eyes.

CHAPTER XXI.

RETROSPECT.

THE history of financial legislation in this country for the past thirty years is a record of folly. No other proof of this statement is needed than the simple fact

that the whole nation is now in an uproar as the result. Wise legislation, such as promotes the prosperity of the whole people, does not eventuate in national discontent.

The Civil War opened the door for the operations of the Shylocks. The first move was to compel the government to pay enormous interest on loans, ranging from 24 to 36 per cent. Yet these are the men whom a gold bug press is in the habit of extolling as "generous," in furnishing money to the government in its time of need!

When bonds were issued bearing a more moderate interest, the same result was secured by bearing them in the market and buying them up at an average discount of 40 per cent! Such was the "generosity" of Wall Street!

President Lincoln, in the greatness of his heart, devised a scheme to save the people from such extortion, and that was the issue of greenbacks. But the power of Wall Street was too strong for him, and the scheme was partially defeated by "the exception clause," as it was called; the greenback was made legal tender except for duties on imports and interest on the public debt, which must be paid in gold.

The "exception" was a fatal mistake, and the beginning of many sorrows. It compelled the merchant by force of law to use gold to pay duties on imported goods. Of course, the owners of gold could fix their own price for that which must be used. They had only to work in concert, as their interest prompted,

and "corner" gold — hold it for a higher price and the higher price must be paid. And so gold rose rapidly until it reached the absurd climax of $2.85; that is, it took $2.85 of the greenbacks to buy one gold dollar; and yet every greenback was performing exactly the same money service (in its general use) as the gold dollar!

And who paid this premium? Why, the people who bought the goods. The importer added the cost of the appreciated gold to the price of his goods and the consumer had to pay it. Besides, it was a pitiable spectacle to see a great nation paying its soldiers, who were shedding their blood in its defense, in depreciated paper, and paying its stay-at-home money-mongers their usurious interest in gold worth nearly three times as much!

Then came the founding of the "national" banks in 1863, whose essential unsoundness has already been pointed out. This system was devised under Secretary Chase. Before his death he confessed that it was a terrible mistake; and one of his coadjuters has pronounced it the most elaborate system of "refined piracy" that the world has seen. Then came the fatal act of 1866, by which the larger part of the greenbacks were bought up by the government with interest-bearing bonds, and then burnt up.

Thus, the very currency that was making the country phenomenally prosperous was transformed into a crushing incubus of interest-bearing debt — as if the wings of an eagle were suddenly transmuted into lead.

But the most terrible effect of this suicidal act came from the enormous contraction of the currency which resulted.

The burden of every debt was increased in proportion, as already explained in a previous chapter. Active business men who were operating with borrowed money were forced into bankruptcy, and ruin spread over the land.

In the year 1866, when this act was passed, there were only 520 failures in the whole country.

In 1867, when the act began to produce its effect, there were 2,386 failures. In 1868 there were 2,608. In 1869, 2,799. In 1870, 3,551. In 1872, 4,069. In 1873, 5,183. In 1874, 5,832. In 1875, 7,740, while in 1876 the failures were more than 10,000! And this wreckage has kept on with greater or less momentum ever since.

Then came the infamous "credit-strengthening" act, by which the bonds were made payable in gold, and billions of dollars legislated out of the pockets of the taxpayers into the coffers of the bond-holders. Then came the crowning infamy of 1873, when silver was demonetized by dropping out the silver dollar from the list of lawful coins — and doing it so covertly that neither the people, nor Congress (except a half-dozen plotters) nor the president suspected any such thing.

In 1878 Mr. Blaine, in open Congress, declared that when he voted for the bill he had no suspicion that it demonetized silver.

The fact, however, was soon discovered, and the baleful effects, in further contracting the currency, began speedily to be felt. And then arose the great crusade, now in full progress, to restore free coinage.

In 1878 the Bland-Allison compromise was passed, by which the secretary of the treasury was authorized to coin from $2,000,000 to $4,000,000 of silver per month. He always chose the smaller sum! In 1890 another effort to restore free coinage was thwarted by another compromise, the famous Sherman act.

By the repeal of this act, shrieked for by every banker from Maine to California, we are set back upon the basis of '73, and are actually living under an ordinance that was foisted upon the nation by stealth, its authors not daring to let their scheme be known, well knowing that, otherwise, they would be buried under an avalanche of popular indignation.

But there are many signs that they have tempted fate once too often. It is already evident that the repeal of the Sherman act has had no more effect in relieving the hard times than an edict against a comet.

And the people are beginning to see that they are now only reaping the legitimate harvest of the seed sown in the corrupt legislation of the past thirty years; and the time is near when they will rise in their might and sweep the authors from power forever.

CHAPTER XXII.

CONCLUSION.

THE preceding chapters by no means constitute a full discussion of the great subject of finance. But enough has been said to show its importance and to justify the proposition with which we began. History records no swindle so stupendous as that perpetrated upon this country, and others, by the Shylocks of Britain.

They began it in 1816 by demonetizing silver, and they did it with the avowed intent of plundering their debtors by arbitrarily increasing the weight of their debts.

In 1873 Germany was led to take the same course by the same selfish motive. And never, perhaps, did selfishness more swiftly bring its own punishment. The disturbance to trade and industry thus caused on her own soil has produced general distress, while France, by giving her people an ample currency, has become the most prosperous nation in Europe.

In that same ill-starred year (1873) England succeeded in forcing by stealth the same measure upon this country by the help of a few traitorous officials. Sworn statements are in existence to the effect that $500,000 of British gold was paid for the job. If this was not the motive, it is difficult to conceive what it could have been.

In the meantime, when the Civil War broke out,

these sons of greed, seeing their opportunity in our necessity, flocked to the spoil, like vultures upon a fallen steed, and succeeded only too well in forcing their nefarious schemes upon our Congress. By tireless lobbying, by boundless bribery, by subsidizing the press, by buying up elections until at one time there were not less than 189 bankers and brokers ready to do their bidding in the halls of Congress, they carried their plots into triumphant execution.

There is all reason to believe that it was their influence, aided, of course, by many of their class here, that carried the infamous "exception clause," by which a great government was seen deliberately depreciating its own currency; that led to the establishment of the "national" banks — one of the most odious specimens of class legislation that has yet been put on record; that led to the changing of the greenbacks into bonds, crippling trade and loading the nation with unnecessary debt; that procured the "credit-strengthening act," by which the bonds bought with depreciated paper were made payable in coin, thus doubling or trebling their value; that induced the treasury department to rule that it would redeem all its notes in gold, and thus set in motion the "endless chain," by which bonds issued to replenish the gold of the treasury are purchased by gold drawn out of the treasury for the purpose and the occasion, thus creating a lucrative and perpetual market for all the surplus pelf of the Rothschilds; that, in brief, has so bound the giant limbs of this great republic by vicious

financial laws and enactments as to hand it over helpless into the grasp of the great London Rothschilds.

Surely this is a record of successful fraud and extortion such as former generations have never dreamed of. It is moderate language to call this the champion swindle of the ages. There is no other that is even worthy to be called second in the comparison.

It is no part of the writer's purpose to attempt to apportion to the guilty authors of this great iniquity their respective measures of blame — let the Omniscient do that, in the day specially appointed for such inquisition. Neither does he wish to be understood as incriminating indiscriminately that class who deal in finance — many of them are honorable men, unversed in the schemes of extortion, and doing only what the present laws render absolutely necessary to be done, if the wheels of industry are to move on, since few dispute that banking institutions of some sort are a fixed factor of a civilized state. Nevertheless, it remains that a monstrous wrong exists, and that the leaders therein must have advanced with open eyes, and with full intent to enrich themselves at the expense of the people,

But the time of reckoning draws on. It is written in the book of the divine decrees, "The needy shall not always be forgotten; the expectation of the poor shall not perish forever." Increasing millions are waking up to the fact that they have been deceived and bitterly wronged, and when that "day of accounts" shall finally dawn, it will be seen that if the mills of God grind slowly they grind exceeding fine.

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